

Executive Summary

For FY 2002, the President has proposed a compassionate yet responsible budget for the U.S. Department of Housing and Urban Development (HUD). The budget is compassionate in providing nearly \$2 billion in additional funding to promote homeownership among low-income and minority families, to expand the number of families served by HUD's rental subsidy programs, and to cover the increased costs of HUD's existing housing programs. At the same time, the budget emphasizes responsibility by slowing the overall growth in HUD's spending, minimizing the number of new initiatives that undermine HUD's capacity to administer its core programs and taking steps to improve the efficiency of HUD's existing programs.

Overall, the FY 2002 budget provides \$30.4 billion in funding to support HUD's core mission of providing affordable housing and promoting community and economic development. These funds support seven main activities:

- I. Helping Low-Income Families Achieve Homeownership
- II. Providing Affordable Rental Housing
- III. Building Assets and Skills Among Low-Income Families
- IV. Supporting Community and Economic Development
- V. Meeting the Needs of Special Populations
- VI. Enforcing the Fair Housing Laws
- VII. Ensuring Responsible HUD Staffing and Program Support

I. Helping Low-Income Families Achieve Homeownership. Homeownership plays a vital role in creating strong communities by giving families a stake in their neighborhoods and helping them to build wealth. Although a period of sustained economic growth has helped to raise the overall homeownership rate to a record level, the homeownership rates of minorities and low-income families lag far behind those of other families.

Many of HUD's core programs, including the HOME Investment Partnerships Program, Federal Housing Administration (FHA) mortgage insurance and the Community Development Block Grant (CDBG) program, help low-income families to achieve the goal of homeownership. In addition to continuing to fund and improve these programs, HUD plans to expand its efforts to promote homeownership in FY 2002 through the following initiatives:

- *The American Dream Downpayment Fund* will provide \$200 million within the HOME program to match downpayment assistance provided by third parties. The inability to afford a downpayment on a home is the biggest single obstacle to homeownership. This program will help more than 130,000 low-income families to overcome this obstacle and achieve homeownership.
- *Section 8 Homeownership.* As promised during the President's campaign, HUD will help low-income renters become homeowners by expanding the use of Section 8 vouchers for homeownership. Under soon-to-be-published regulations, voucher-holders will be able to use up to 1-year's worth of Section 8 assistance for the downpayment on a home.

Alternatively, families will have the option of using their vouchers to pay the ongoing costs of a mortgage.

- *Renewing the Dream Tax Credit.* To further promote homeownership opportunities, the Administration will propose a \$1.7 billion tax credit that will support the rehabilitation or new construction of an estimated 100,000 homes for purchase by low-income households over a 5-year period.
- *Hybrid Adjustable Rate Mortgages.* For FY 2002, HUD seeks authority to allow FHA to offer low-income families a hybrid adjustable rate mortgage. These mortgages will reduce families' initial homeownership costs by combining a low fixed rate in the early years of the mortgage with a rate that adjusts with the market thereafter.

II. Providing Affordable Rental Housing. While seeking to expand homeownership opportunities, HUD recognizes that homeownership may not be practical for all families, especially families at the bottom of the income scale. To help low-income families afford the high costs of rental housing, HUD provides subsidies to more than four million households nationwide through a variety of programs, including the tenant-based and project-based Section 8 programs and public housing.

The following are some of the key features of the FY 2002 budget that help families afford the costs of rental housing:

- *Section 8 Contract Renewals.* In FY 2002, HUD will provide \$15.1 billion to renew all expiring Section 8 contracts. As long-term Section 8 contracts expire, the number of contracts that need to be renewed each year (and the funding required to do so) increases. The cost of renewing the 2.7 million expiring Section 8 contracts in FY 2002 exceeds FY 2001 renewal costs by \$2.2 billion.
- *Section 8 Incremental Vouchers.* To help reduce the large unmet need for affordable rental housing, the FY 2002 budget includes \$197 million in funding for approximately 34,000 additional housing vouchers. These vouchers will be distributed through the Fair Share allocation system to state and local housing agencies that have demonstrated an ability to effectively use their existing vouchers.
- *Public Housing Operating Fund.* To accommodate increased utility costs and other public housing needs, including the need for crime-prevention activities, the FY 2002 budget proposes to increase the public housing operating fund by \$150 million to \$3.385 billion.
- *Increasing FHA Multifamily Loan Limits.* Statutory limits on the amount of FHA insurance for multifamily developments were last increased in 1992. In recognition of the increased cost of residential construction, HUD has proposed that the limits be increased by

25 percent. By expanding the number of multifamily developments that can obtain FHA insurance, this initiative will help to increase the availability of affordable rental housing.

III. Building Assets and Skills Among Low-Income Families. Central to HUD's mission of promoting stronger communities are activities to help low-income working families acquire skills that will increase their earnings and to help families on welfare make progress towards self-sufficiency. HUD also seeks to help low-income families accumulate assets so that they can achieve homeownership, pursue educational opportunities, start a new business, and attain other important goals.

HUD's basic programs contribute to this objective by providing low-income families with the housing stability they may need to focus on obtaining work or increasing their earnings. HUD's homeownership assistance programs also help families to accumulate assets. In addition, HUD has a number of programs that focus directly on building assets and skills among low-income families, including Neighborhood Networks, the Family Self-Sufficiency Program, the Resident Opportunity and Self-Sufficiency Program, Youthbuild, and the Welfare-to-Work Voucher Program.

Key initiatives in this area for FY 2002 include:

- *Community Technology Centers.* Through the Neighborhood Networks program, HUD has helped to create more than 700 computer technology centers in multifamily assisted housing developments and HOPE VI sites throughout the country. Hundreds of additional computer centers operate in public housing and Native American housing. These centers provide an opportunity for low-income children and parents to learn vital computer skills. For FY 2002, HUD will provide \$80 million in competitive grants to help communities create or expand computer technology centers in low-income areas.
- *Family Self-Sufficiency (FSS) Program.* Currently serving some 55,000 families in the tenant-based Section 8 and public housing programs, FSS is HUD's chief asset-building program. In FY 2002, HUD will work to expand participation in FSS by providing funds for FSS service coordinators, helping to spread awareness of successful practices, and promoting partnerships between local housing and welfare agencies.
- *Individual Development Accounts.* To further promote asset development among low-income families, the Administration plans to propose a tax credit to financial institutions that match private Individual Development Accounts. These are savings accounts set up by low-income families to help them save for a first home, to pay for education, or to start a business.

IV. Supporting Community and Economic Development. In FY 2002, HUD will continue to support its core community and economic development programs. These programs play an

essential role in helping communities address locally determined development priorities and maintain long-term prosperity. Highlights include:

- *Community Development Block Grant (CDBG) Program.* CDBG provides funding to meet locally identified community and economic development needs. For FY 2002, HUD will continue its strong support for CDBG by funding CDBG formula grants at the FY 2001 level of \$4.399 billion.
- *Faith-Based and Community Organizations.* Much of the hard work of housing and neighborhood revitalization is carried out by nonprofit faith-based and community organizations. In FY 2002, HUD will examine its programs and policies to identify ways to strengthen the capacity of these nonprofit groups and to reduce any barriers that may impede their access to HUD funding.
- *Lead-Based Paint Hazard Reduction.* In FY 2002, HUD will increase funding for lead-based paint hazard reduction by \$10 million to a total of \$110 million. The increased funding will help to leverage substantial additional resources.
- *Growth Management.* Many communities are experiencing rapid growth that requires them to address such difficult quality of life issues as: traffic congestion, the availability of affordable housing, preservation of natural resources and the adequacy and timely provision of the public facilities and services needed to accommodate growth. While these are local issues that require local solutions, HUD has an important role to play at the national level. During FY 2002, HUD will facilitate a national conversation on growth management issues and help to develop tools that local communities can use to better manage their growth.

V. Meeting the Needs of Special Populations. HUD programs provide housing and other essential support to a wide range of populations with special needs, including the elderly, disabled persons, homeless persons and persons with HIV/AIDS. The following are highlights of HUD's FY 2002 budget in this area:

- *Elderly Housing and Services.* For FY 2002, HUD plans to continue its strong support for the elderly by providing \$783 million for elderly housing programs, an increase of \$6 million over FY 2001 levels.
- *Disabled Persons.* In addition to continuing to fund the Supportive Housing for Persons with Disabilities Program (Section 811) at current levels, the FY 2002 budget will provide \$20 million for the Improving Access Initiative. This initiative will make competitive grants available to organizations with limited resources for use in making their facilities accessible to the disabled.

- *Homeless Persons.* The FY 2002 budget continues funding for Homeless Assistance Grants and Shelter Plus Care renewals at the current level of \$1.123 billion. In FY 2002, the Department will focus on providing permanent housing solutions to those without homes and work closely with the Department of Health and Human Services and other agencies to identify and remedy the barriers to homeless persons' access to mainstream supportive services programs.
- *Persons with AIDS.* In FY 2002, HUD will increase funding for the Housing Opportunities for Persons with AIDS (HOPWA) program by \$20 million to \$277 million. This will support an increase in the number of jurisdictions eligible for funding based on projections from the Centers for Disease Control and Prevention.

VI. Enforcing the Fair Housing Laws. HUD is committed to vigorous enforcement of the fair housing laws to help ensure that all Americans have equal access to rental housing and homeownership opportunities. For FY 2002, the Department plans to increase the amount of funding available for fair housing enforcement activities by 16 percent over current levels. The Department also plans further steps to decrease the incidence of predatory lending.

VII. Ensuring Responsible HUD Staffing and Program Support. HUD has made real management reform one of its top priorities for FY 2002. Under the Secretary's leadership, the Department will review staffing levels against program needs to rationalize the distribution of staff resources. The Department will also take steps to improve income and rent determinations to reduce rental subsidy overpayments, improve its oversight of local housing providers, and strengthen the integrity of FHA's internal systems and controls to prevent "property flipping" and other program abuses.

I. HELPING LOW-INCOME FAMILIES ACHIEVE HOMEOWNERSHIP

Homeownership plays a vital role in creating strong communities by giving families a stake in their neighborhoods and helping them to build wealth. Although a period of sustained economic growth has helped to raise the overall homeownership rate to a record level, the homeownership rates of minorities and low-income families lag far behind those of other families.

The most recent data on minority homeownership rates show that, in 2000, the homeownership rate for Hispanic households was 46.3 percent and the homeownership rate for Black non-Hispanic households was 47.6 percent. By contrast, the homeownership rate for the nation as a whole was 67.4 percent, some 20 percentage points above that of Black and Hispanic households. HUD is firmly committed to reducing this gap by increasing the homeownership rates of minority households.

The data indicate that homeownership rates also lag in central cities (51.4 percent) and among households with incomes below the area median (51.5 percent). Since minority households are more likely to fall into these categories, it is clear that their homeownership rates can be raised by improving access to homeownership in central cities and among low-income families.

For FY 2002, the Administration has proposed a number of new or expanded initiatives to improve homeownership rates among low-income and minority families and in central cities. Since the biggest single obstacle to homeownership is the inability to afford a downpayment on a home, two of the initiatives – the *American Dream Downpayment Fund* and the *Section 8 Homeownership program* – focus directly on overcoming this obstacle. A third initiative – the *Renewing the Dream Tax Credit* – will subsidize the costs of homes that are rehabilitated or newly constructed for purchase by low-income households, while a fourth initiative – the *Hybrid Adjustable Rate Mortgage* – will expand access to homeownership by reducing families' mortgage payments in the initial years of a mortgage.

These initiatives are described in greater detail below:

- *The American Dream Downpayment Fund* will provide \$200 million within the HOME program to match downpayment assistance provided by third parties. For every dollar provided by a third-party, the program will provide \$3, up to a maximum of \$1,500 provided against a \$500 third-party contribution. Administered by state housing finance agencies, the program will leverage more than \$60 million in locally controlled funds and help more than 130,000 low-income families to overcome the downpayment obstacle and achieve homeownership.
- *Section 8 Homeownership*. HUD will help low-income renters become homeowners by expanding the use of Section 8 vouchers for homeownership. Under soon-to-be-published regulations, voucher-holders will be able to use up to 1-year's worth of Section 8 assistance for the downpayment on a home. HUD expects this program to be of particular use to existing

voucher-holders who could afford the ongoing costs of a mortgage but do not have enough savings to cover a downpayment.

HUD is also implementing an alternative approach to Section 8 homeownership, under which the voucher can subsidize ongoing homeownership costs. To accommodate the needs of disabled households, HUD will apply higher income eligibility limits to these households.

- *Renewing the Dream Tax Credit.* The Administration will propose a \$1.7 billion tax credit that will support the rehabilitation or new construction of an estimated 100,000 homes for purchase in low-income neighborhoods over a 5-year period. The program, which will subsidize up to 50 percent of project costs, will benefit low-income families living in predominantly low-income communities.

In addition to working closely with the Department of Treasury in designing the credit, HUD will conduct a thorough review of policies and regulations that may constitute a barrier to the development of affordable single family homes and consider ways to streamline the development process.

- *Hybrid Adjustable Rate Mortgages.* For FY 2002, HUD seeks authority to allow the Federal Housing Administration (FHA) to offer low-income families a hybrid adjustable rate mortgage. These mortgages reduce families' initial homeownership costs by combining a low fixed rate in the early years of the mortgage with a rate that adjusts with the market thereafter. HUD estimates that the introduction of hybrid adjustable rate mortgages will allow FHA to provide mortgages to an additional 40,000 families in FY 2002. It also will yield additional income of \$99 million for the FHA and \$13 million for the Government National Mortgage Association (Ginnie Mae).

The initiatives discussed above complement HUD's existing homeownership programs, which will be a significant focus of HUD resources and staffing in FY 2002. The main HUD programs that help families achieve homeownership are the HOME Investment Partnerships Program (HOME), FHA mortgage insurance and the Community Development Block Grant (CDBG) program.¹ HUD also works to expand homeownership opportunities through the efforts of Ginnie Mae, programs for Native American Communities, the Self-Help Opportunities Program (SHOP), Housing Counseling and oversight of the Government-Sponsored Enterprises (GSEs) – Fannie Mae and Freddie Mac.

¹ CDBG is discussed under Section IV: Supporting Community and Economic Development.

HOME Investment Partnerships Program (HOME)

In FY 2002, HUD will provide \$1.796 billion in total HOME funding, the same as in FY 2001. HOME is a flexible block grant that provides support for local affordable housing efforts. Funds are allocated directly to large cities, counties or consortia of smaller areas (known as “participating jurisdictions”) and to States for distribution to other cities and towns. There are currently 594 participating jurisdictions, although that figure is expected to rise in FY 2002.

Recipients of HOME funds have substantial discretion to determine how the funds are spent. To date, approximately 45 percent of HOME funds have been spent on assistance to existing, as well as to new homebuyers, with the balance going to activities that help make rental housing affordable. HOME funds can be used to expand access to homeownership by subsidizing downpayment and closing costs, as well as the costs of acquisition, rehabilitation and new construction. To date, HOME grantees have committed funds to provide homeownership assistance to more than 320,000 low-income households.

In FY 2001, the HOME program received a substantial increase of nearly \$200 million (12 percent) over the prior year’s level. For FY 2002, HUD will dedicate this increase to the American Dream Downpayment Fund, described above, which is funded as a set-aside within HOME.

Federal Housing Administration (FHA) Mortgage Insurance

FHA insurance continues to be one of the Nation’s principal tools for increasing homeownership for moderate-income and first-time homebuyers. FHA insurance helps make homeownership affordable for families who do not qualify for conventional mortgages.

FHA offers a range of different insurance products. In FY 2002, an estimated 1.1 million families will finance their homes with FHA’s Single Family Insurance. Other FHA homeownership products include insurance for rehabilitation loans, condominiums, energy-efficiency loans, and reverse mortgages for elderly homeowners. In addition, FHA provides mortgage insurance for multi-family developments and healthcare facilities and offers purchase discounts to teachers and police officers who buy HUD-owned foreclosed properties in locally designated revitalization areas.

Many of FHA’s single-family programs operate at a surplus, which means that income from premiums is more than enough to cover losses from defaults. The Mutual Mortgage Insurance Fund, for example, is expected to have a net income of \$2.4 billion in FY 2002. In a technical budgetary change based on the Federal Credit Reform Act of 1990, the Office of Management and Budget and the Congressional Budget Office have determined that FHA receipts should be classified within the “discretionary” rather than the “mandatory” part of HUD’s budget. This has no effect on actual program levels. The tables at the end of this volume show the effects of this change on both the FY 2001 and FY 2002 budgets.

In FY 2002, FHA plans to make a number of programmatic reforms to strengthen its financial position. For example, to address losses in the General Insurance and Special Risk portfolios, FHA will raise premiums and change its underwriting criteria in a number of the programs in these portfolios. This will reduce the amount of credit subsidy required to support these programs from \$101 million in FY 2001 to \$15 million in FY 2002.

Government National Mortgage Association (Ginnie Mae)

Through its Mortgage-Backed Securities program, Ginnie Mae helps to ensure mortgage funds are available for low- and moderate-income families served by FHA and other government programs. Ginnie Mae guarantees securities backed by pools of mortgages insured by FHA or guaranteed by the Rural Housing Service (RHS) or the Department of Veterans Affairs. Through this guarantee, Ginnie Mae has helped to finance homeownership opportunities for more than 24.5 million families.

In addition to its normal pass-through of pooled mortgages, Ginnie Mae operates a Targeted Lending Initiative in which the guarantee fees it charges lenders are reduced for mortgages in any of the nation's 72 Empowerment Zones, Enterprise Communities and adjacent eligible central city areas. Since its inception in 1996, this incentive has led to over \$11 billion to finance more than 121,000 loans in central cities.

Homeownership Programs for Native American Communities

The FY 2002 budget supports three HUD programs that help to promote homeownership among Native American communities:

- *The Indian Housing Block Grant.* This block grant provides tribes or tribally designated housing entities with a flexible source of funding for affordable housing and related activities. As provided in the Native American Housing Assistance and Self Determination Act (NAHASDA), block grant funds may be used for a wide range of homeownership and rental activities. The FY 2002 budget provides \$649 million, the same level as enacted in FY 2001.
- *The Title VI Tribal Activities Loan Guarantee* program provides loan guarantees for Indian Housing Block Grant recipients who need additional funds to engage in affordable housing activities but are unable to borrow from other sources without the guarantee of payment by the Federal Government. The FY 2002 budget provides \$6 million in funds set aside within the Indian Housing Block Grant Program as a credit subsidy to guarantee \$53 million in private sector loans.
- *The Indian Home Loan Guarantee Program* (Section 184) helps Native Americans to access private mortgage financing for the purchase, construction or rehabilitation of single family homes

by providing loan guarantees to lenders. The FY 2002 budget provides continued funding of \$6 million in credit subsidy to guarantee a total of \$234 million of such loans.

To support its homeownership programs for Native American communities, HUD will again provide \$2 million to the Native American Indian Housing Council which delivers technical assistance and training to tribally designated entities, conducts research and provides information on Indian housing and economic development issues.

Other HUD Homeownership Programs

In addition to the programs discussed above, the FY 2002 budget includes funding for the following programs that help families achieve homeownership:

- *Housing Counseling.* This program provides comprehensive housing counseling services, including pre-purchase, default, and renter counseling, to eligible homeowners and tenants. By educating families on the homeownership process and the responsibilities and benefits of homeownership, housing counseling helps to expand families' homeownership opportunities. For FY 2002, HUD plans to continue funding this program at \$20 million as a set-aside within HOME.
- *The Self-Help Homeownership Opportunities Program (SHOP).* SHOP provides grants to national and regional nonprofit self-help organizations to subsidize the costs of land acquisition and infrastructure improvements. Homebuyers must contribute a significant amount of sweat equity or volunteer labor to the construction or rehabilitation of the dwellings. For FY 2002, HUD is requesting \$22 million for SHOP as a set-aside within the Community Development Block Grant account, an increase of \$2 million over FY 2001. The increase reflects the early successes of this program. FY 2002 grants will help to produce more than 1,400 new homes.
- *Oversight of Fannie Mae and Freddie Mac.* To augment the amount of mortgage credit available to support affordable single family and multifamily housing, HUD sets affordable housing goals for two key housing finance institutions over which it has oversight responsibilities: Fannie Mae and Freddie Mac. Known as Government Sponsored Enterprises (GSEs), these institutions play a vital role in financing affordable owner-occupied housing in the U.S. through their participation in the secondary mortgage market. Last year, HUD announced new affordable housing goals for the GSEs that will substantially increase the availability of financing for affordable housing. In FY 2002, HUD will continue to monitor the GSEs' compliance with these goals and work in cooperation with the GSEs to find new ways to expand homeownership for all Americans.
- *Housing Assistance Council.* In FY 2002, HUD plans to continue to fund a \$3 million cooperative agreement with the Housing Assistance Council (HAC). HAC is a nonprofit corporation that works to increase the availability of decent and affordable housing for low-

income people in rural areas throughout the United States. In FY 2002, HAC will focus on the affordable housing needs of people living in Colonias. These are poor rural communities and neighborhoods along the U.S.-Mexican border that lack basic infrastructure and services, as well as decent, affordable housing.

II. PROVIDING AFFORDABLE RENTAL HOUSING

While seeking to expand homeownership opportunities, HUD recognizes that homeownership may not be practical for all families, especially families at the bottom of the income scale. To help low-income families afford the high costs of rental housing, HUD provides rental subsidies to more than four million households nationwide through a variety of programs, including the tenant-based and project-based Section 8 programs and public housing.

The FY 2002 budget seeks to strengthen HUD's current rental assistance programs rather than proposing any new ones. During FY 2002, HUD will focus in particular on improving housing agencies' utilization of Section 8 vouchers and public housing capital funds.

The following are some of the key features of the FY 2002 budget that help families afford the high costs of rental housing:

- *Section 8 Contract Renewals.* In FY 2002, HUD will renew all expiring Section 8 contracts at a cost of \$15.1 billion. The cost of renewing the 2.7 million expiring Section 8 contracts in FY 2002 exceeds FY 2001 renewal costs by \$2.2 billion.
- *Section 8 Incremental Vouchers.* To help reduce the large unmet need for affordable rental housing, the FY 2002 budget includes \$197 million in funding for approximately 34,000 additional housing vouchers.
- *Public Housing Operating Fund.* To accommodate increased utility costs and other public housing needs, including the need for crime-prevention activities, the FY 2002 budget proposes to increase the public housing operating fund by \$150 million to \$3.385 billion.
- *Increasing FHA Multifamily Loan Limits.* In recognition of the increased cost of residential construction, HUD has proposed that the limits for FHA multi-family insurance be increased by 25 percent. Increasing the limits will help to spur the availability of private financing for new production and substantial rehabilitation of affordable rental housing in high cost areas.

HUD has three major rental assistance programs that collectively provide rental subsidies to more than four million households nationwide: the Section 8 voucher program (also known as the tenant-based Section 8 program), the project-based Section 8 program, and public housing. The budget funds the two Section 8 programs under a single account, known as the Housing Certificate Fund. The public housing program is funded through the public housing operating fund, the public housing capital fund, and the HOPE VI program, which provides funding to support the demolition and revitalization of distressed public housing.

HUD also helps to provide affordable rental housing through the HOME program, the Indian Housing Block Grant, FHA insurance and the Community Development Block Grant (CDBG) program.²

TABLE 1: HOUSING CERTIFICATE FUND

(Budget Authority in Millions)

	2001		2002		2002 vs. 2001	
	Units	BA	Units	BA	Units	BA
Section 8 Contract Renewal	2,587,752	\$12,943	2,748,512	\$15,108	160,760	\$2,165
Tenant Protection Assistance	40,300	265	30,300	203	(10,000)	(62)
Incremental Vouchers	79,000	452	34,000	197	(45,000)	(255)
Non-Elderly Disabled	8,000	40	[8,000]	[40]*	[...]	[...]
Contract Administrators	NA	192	NA	196	NA	4
Jobs Plus	NA	7	NA	...	NA	(7)
Working Capital Fund	NA	11	NA	13	NA	2
Total, Housing Certificate Fund	2,715,052	13,910	2,812,812	15,717	97,760	1,807

*PHAs will be encouraged to provide up to \$40 million in voucher funds for non-elderly disabled persons.

Housing Certificate Fund: Section 8 Vouchers and Project-Based Section 8

The Housing Certificate Fund supports the Section 8 voucher and project-based Section 8 programs. In the Section 8 voucher program, families live in modestly priced rental housing that they locate in the private market. In the project-based Section 8 program, by contrast, families live in specific developments that have a pre-existing contractual relationship with HUD. In both programs, families are expected to contribute approximately 30 percent of their income for housing costs (rent plus utilities). HUD provides subsidies to cover those rental costs not paid by the tenant.

In FY 2002, HUD will obligate \$15.1 billion to renew all expiring Section 8 contracts for 1 year, an increase of \$2.2 billion over FY 2001. The increase is explained largely by the fact that Section 8 contracts were previously funded on a long-term multi-year basis. As long-term Section 8 contracts expire, the number of contracts that need to be renewed each year (and the funding required to do so) increases. Fiscal year 2002 funds will be used to renew expiring contracts for 2.7 million units at a weighted average annual cost of \$5,497 per unit.

For FY 2002, the Department has requested \$197 million for approximately 34,000 additional “incremental” Section 8 vouchers. These vouchers will enable HUD to make progress in reducing the number of very low-income renter households with worst case needs, which stood at 4.9 million in 1999. Rather than targeting the vouchers to any specific purpose, HUD will distribute them through the Fair Share allocation system to public housing agencies (PHAs) that have demonstrated an ability to effectively use their

² CDBG is discussed under Section IV: Supporting Community and Economic Development.

existing vouchers, as measured by high voucher utilization rates. This process will maximize the ability of housing agencies to meet locally defined needs.

HUD recognizes that in the past, it has not moved as quickly as it should have in issuing incremental vouchers to PHAs. If Congress funds its request for incremental vouchers, HUD will act expeditiously to distribute the vouchers to PHAs.

To further speed assistance to low-income families, HUD has targeted for improvement in 2002 the utilization of existing Section 8 vouchers by PHAs. The most recent available data indicate that housing agencies are utilizing approximately 92 percent of the vouchers under contract for a year or more. By working to improve PHAs' utilization of vouchers, HUD will be able to serve tens of thousands of additional families within existing funding levels.

In addition to funding contract renewals, the Housing Certificate Fund provides funds for a number of additional activities:

- *Tenant Protection Program.* This program protects families who live in a project-based subsidized development whose owner either chooses to opt-out of the program or is terminated for cause. Such families receive "enhanced" vouchers to help them remain in their developments or tenant-based assistance to move to a new apartment. Housing vouchers are also provided to public housing tenants displaced by the demolition of distressed public housing. In FY 2002, funds are requested for an estimated 30,000 tenant protection vouchers.
- *Contract Administrator Program.* HUD is requesting funds to continue its performance-based Contract Administrator Program, which funds contracts with designated State or local housing agencies, sometimes in partnership with other public or private entities. Acting as HUD's agent, contractors oversee some 20,000 direct contracts between HUD and project owners for project-based Section 8 assistance. In FY 2002, approximately \$196 million will be required to continue these contracts, which run for 3 years.
- *Family Unification Program (FUP).* FUP provides Section 8 vouchers to families with children who have been placed, or are at risk of placement, in foster care primarily because the family lacks adequate housing. Since 1992, HUD has awarded over 18,000 FUP vouchers to housing agencies working in partnership with child welfare agencies, helping more than 50,000 families either stay together or bring their children home. In FY 2001, approximately \$10 million will be provided for Family Unification. To the extent appropriations are available, the Administration intends to continue funding at this level.

Finally, HUD will shortly be submitting legislation to continue authority to “mark down” excessive rents for certain Section 8 project-based developments to the rents charged in the surrounding market. Authority for the Mark-to-Market program expires at the end of FY 2001.

TABLE 2: PUBLIC HOUSING

(Dollars in Millions)

	2001	2002	Difference
Public Housing Operating Fund	3,235	3,385	150
Public Housing Capital Fund	2,993	2,293	(700)
Revitalization of Severely Distressed Public Housing (HOPE VI)	574	574	...
Public Housing Drug Elimination Grants	309	...	(309)

Public Housing Operating Fund

While no longer supporting the development of new public housing on a major scale, HUD remains committed to sustaining and improving the Nation’s public housing by funding public housing operating and capital expenses. Through the HOPE VI program, HUD also funds the demolition of obsolete public housing stock and its replacement with vouchers or new public housing that blends into the community.

Many PHAs are facing a shortage of funds in FY 2001 to meet utility rate increases. To address this problem, the Department has moved quickly to provide \$105 million of FY 2001 funds to affected agencies. Through a formula distribution, \$55 million of these funds will be made available to PHAs nationwide and \$50 million will be used to compensate specific PHAs with extraordinary utility cost increases. In light of increased utility costs, the FY 2002 Budget provides \$3.385 billion for the Operating Fund, an increase of \$150 million over the FY 2001 enacted levels.

Public Housing Capital Fund

This fund provides formula grants to PHAs to meet the accrual of new modernization requirements and to reduce the backlog of rehabilitation and modernization requirements. The rehabilitation of existing public housing developments is important to help ensure that they do not become so obsolete that they must be demolished.

The FY 2002 budget provides \$2.293 billion for the public housing capital fund, a decrease of \$700 million relative to FY 2001.³ This amount will be sufficient to meet all new modernization requirements. Because PHAs have a large amount of unspent capital funds from prior years, however, the budget does not provide any new funds to address the backlog of modernization and rehabilitation needs.

³ The request represents only a modest decrease, however, from the \$2.5 billion appropriated in FY 1998 and the \$2.56 billion requested by HUD in fiscal years 1999 and 2000.

The purpose of the reduction in capital funds is to draw down capital funds that have been appropriated but not expended by PHAs. Recognizing that the funds are primarily for capital improvement projects, HUD expects PHAs to obligate these funds within 18 months and expend them in 36 months. Although not all PHAs are falling behind in scheduled modernization, the buildup of unobligated and unexpended funds by some PHAs indicates that modernization funds may not be reaching the PHAs with the greatest needs or capacity. For example, as of March 1, 2001, \$700 million in FY 1998 funds remained unspent by PHAs. HUD plans to review the Capital Fund program and put procedures in place to ensure a more timely and effective reduction of the nearly \$20 billion backlog of modernization and rehabilitation needs.

Revitalization of Severely Distressed Public Housing (HOPE VI)

The HOPE VI program provides funds for the demolition and revitalization of severely distressed public housing. The budget requests \$574 million for HOPE VI grants in FY 2002, the same as the FY 2001 enacted level.

HOPE VI was launched as part of an effort to demolish 100,000 of the most distressed public housing units. As of the end of FY 2000, HUD had approved applications to demolish nearly 110,000 units and PHAs had actually demolished approximately 60,000. Almost 35,000 of the completed demolitions were carried out in connection with HOPE VI revitalization grants. Some portion of the remainder were financed with HOPE VI demolition-only grants.

The HOPE VI program will expire in FY 2002 and must be reauthorized to continue. The Department is evaluating the HOPE VI program and will submit authorizing language during the coming year to extend and amend the program to target funds to the highest priority needs.

Public Housing Drug Elimination Grant Program (PHDEP)

For FY 2002, HUD has proposed the termination of *PHDEP*, which was funded at \$309 million in FY 2001. There are three main reasons for this termination. First, the program is duplicative of the Operating and Capital Funds in that all expenditures that are eligible under *PHDEP* are also eligible expenditures of one or both of these funds. Second, many other Cabinet Departments have anti-drug programs that can be brought to bear on the problems of drug use and violent crime in public housing. Governmentwide, over \$18 billion in Federal funding is projected for FY 2002 on anti-drug programs and illegal drug enforcement efforts. Finally, the Inspector General has severely criticized *PHDEP* for being the source of funds for such inappropriate activities as retreats, bank loans and Christmas parties. Indeed, the Department itself diverted *PHDEP* technical assistance funds to implement a gun buy-back program, which the Comptroller General ruled was not a legal use of funds.

Although HUD is not requesting funds for PHDEP, it will fund Operation Safe Home and the Witness Relocation Program. The Inspector General operates a special taskforce, Operation Safe Home, which combines the expertise of Federal and local crime fighting forces to combat violent crime such as illegal drug trafficking and gang-related activity in public and assisted housing developments. In FY 2002, \$10 million will be set aside within the Public Housing Operating Fund and transferred to the Inspector General for additional law enforcement staff.

The Witness Relocation Program assists families that have cooperated in efforts to combat crime in communities. It is a crucial part of Operation Safe Home. Since the initiation of Operation Safe Home, the Inspector General has relocated 650 witnesses whose testimony was essential to the prosecution of perpetrators of violent crimes.

Other HUD Programs That Help Families Afford Rental Housing

In addition to public housing, Section 8 vouchers and the project-based Section 8 program, HUD has a number of other programs that contribute significantly to the availability of affordable rental housing. These include the HOME program and the Indian Housing Block Grant, discussed in Section I above. Both programs can be used at the discretion of local officials for either homeownership or rental housing activities. To date, HOME grantees have committed funds to support the construction, rehabilitation or acquisition of nearly 250,000 rental units and provided tenant-based rental assistance to more than 60,000 households.

Another flexible block grant, the Community Development Block Grant (CDBG), can also be used to support certain affordable rental housing activities. CDBG is discussed below under Section IV. Finally, as noted above, FHA helps to spur investment in affordable rental housing through multifamily insurance. To increase the effectiveness of this program, HUD will seek authority to raise FHA multifamily loan limits by 25 percent in FY 2002.

III. BUILDING ASSETS AND SKILLS AMONG LOW-INCOME FAMILIES

Central to HUD's mission of promoting stronger communities are activities to help low-income working families acquire skills that will increase their earnings and to help families on welfare make progress towards self-sufficiency. HUD also seeks to help low-income families accumulate assets so that they can achieve homeownership, pursue educational opportunities, start a new business, and attain other important goals.

HUD's basic programs contribute to this objective by providing low-income families with the housing stability they may need to focus on obtaining work or increasing their earnings. HUD's homeownership assistance programs also help families to accumulate assets. In addition, HUD has a number of programs that focus directly on building assets and skills among low-income families.

Key initiatives in this area for FY 2002 include:

- *Community Technology Centers.* For FY 2002, HUD will provide \$80 million in competitive grants to help communities create or expand computer technology centers in low-income areas. These centers will provide an opportunity for low-income children and parents to learn vital computer skills.
- *Family Self-Sufficiency (FSS) Program.* The FSS program helps families with Section 8 vouchers and public housing residents to build assets and access employment training and other supportive services. In FY 2002, HUD will work to expand the number of families participating in FSS.
- *Individual Development Accounts.* To further promote asset-development among low-income families, the Administration will propose a tax credit for financial institutions that match private Individual Development Accounts. These are savings accounts set up by low-income families to help them save for a first home, to pay for education, or to start a business.

These initiatives are discussed in greater detail below in the context of the self-sufficiency and asset-building programs supported by HUD's FY 2002 budget. These programs include Neighborhood Networks, the Family Self-Sufficiency Program, the Resident Opportunity and Self-Sufficiency Program, Youthbuild, and the Welfare-to-Work Voucher Program.

Community Technology Centers

Building on the lessons learned through the Neighborhood Networks program (described below), HUD will provide \$80 million in competitive grants to help communities create or expand computer technology centers in low-income areas. The centers will provide free Internet access and help families acquire computer skills, access educational information, and search for work.

Neighborhood Networks

Through the Neighborhood Networks program, HUD has helped to create more than 700 computer technology centers in multi-family assisted housing developments and HOPE VI sites throughout the country. Hundreds of additional computer centers operate in public housing and Native American housing. HUD supports the development of these centers by providing guidebooks and other technical assistance, sharing information on best practices, and allowing the centers to occupy space in affordable housing developments.

Family Self-Sufficiency (FSS) Program

Currently serving some 55,000 families in the tenant-based Section 8 and public housing programs, FSS promotes the development of local strategies to help families obtain or increase employment so that they can build assets and achieve economic independence and self-sufficiency. FSS helps to link participating families with local opportunities for educational services, job training, counseling, and other services while they are receiving housing assistance. As participating families increase their work effort, the amount of increased rent attributable to increased income from employment is deposited in an escrow account. Families that comply with program rules and become independent of welfare assistance by the end of the 5-year program term can use the funds in the escrow account to purchase a home, pay for higher education, start a business, or other agreed-upon goals.

In FY 2002, HUD will work to increase participation in FSS by providing funding for FSS service coordinators at local housing agencies, helping to spread awareness of successful practices, and promoting partnerships between local housing and welfare agencies. The FY 2002 budget provides \$46.4 million for FSS coordinators within the Housing Certificate Fund.

Individual Development Accounts

For FY 2002, the Administration plans to expand on FSS and other existing asset-building programs by proposing a tax credit for financial institutions that match private Individual Development Accounts (IDAs). IDAs are savings accounts set up by low-income families to help them save for a first home, pay for education, or start a business. As an incentive to encourage savings, families' contributions to IDA accounts are matched (sometimes several times over) by third-parties. IDA programs also provide families with training in financial literacy.

Resident Opportunity and Self-Sufficiency Program (ROSS)

ROSS provides a range of supportive services to families in public housing through competitive grants to PHAs, resident groups, Indian tribes and other qualified organizations. The services funded through ROSS are designed to help families make progress towards self-sufficiency; enable the elderly and persons with disabilities to live independently through service coordinators and other activities; and support resident management, business development, capacity building and conflict resolution activities.

Funding for ROSS in FY 2002 is continued at \$55 million, the same level enacted in FY 2001. Consistent with prior practice, it is funded as a set-aside in the CDBG program.

Youthbuild

To help young high school dropouts (aged 16-24) obtain well-paying jobs, Youthbuild provides them with education and job training services, counseling and other support activities and onsite paid training in housing rehabilitation or construction work. The average wage earned by Youthbuild trainees is \$7.50 per hour and an impressive 84 percent of the graduates obtain full-time employment or re-enter school on a full-time basis. A wide range of groups are eligible to compete for Youthbuild funds, including nonprofit organizations, state and local housing agencies and state and local governments.

In FY 2002, HUD will continue Youthbuild at last year's level of \$60 million and will continue the program as a set-aside within the CDBG program. HUD estimates that this funding will provide training to an estimated 3,774 youths.

Welfare-to-Work Voucher Program

The FY 1999 VA-HUD Appropriations Act included funds for up to 50,000 Section 8 vouchers to help families make the transition from welfare to work. Housing vouchers can help families make progress towards self-sufficiency by providing them with the residential stability they may need to focus on obtaining or retaining work as well as the opportunity to move closer to a new job. Although implementation of the Welfare-to-Work Voucher program has been delayed due to the challenges of designing a new program and of coordinating the efforts of local housing and welfare agencies, substantial progress has been made in recent months.

The costs of renewing the existing Welfare-to-Work vouchers are included as part of the overall Section 8 contract renewals in the Housing Certificate Fund. As requested by Congress, HUD's Office of Policy Development and Research is in the process of evaluating this program.

IV. SUPPORTING COMMUNITY AND ECONOMIC DEVELOPMENT

In FY 2002, HUD will continue to support its core community and economic development programs. These programs play an essential role in helping communities address locally determined development priorities and maintain long-term prosperity. Highlights of the work HUD proposes in this area for FY 2002 include:

- *Community Development Block Grant (CDBG) Program.* For FY 2002, HUD will continue its strong support for CDBG by funding CDBG formula grants at the FY 2001 level of \$4.399 billion.
- *Faith-Based and Community Organizations.* As part of an Administration-wide effort to better support the work of faith-based and community organizations, HUD will examine its programs and policies in FY 2002 to identify ways to strengthen the capacity of these nonprofit groups and to reduce any barriers that may impede their access to HUD funding.
- *Lead-Based Paint Hazard Reduction.* In FY 2002, HUD will increase funding for lead-based paint hazard reduction by \$10 million to a total of \$110 million.
- *Growth Management.* During FY 2002, HUD will facilitate a national conversation on growth management issues and help to develop tools that local communities can use to better manage their growth.

HUD has a range of programs that support community and economic development activities, including: the Community Development Block Grant (CDBG) program, the Section 108 Loan Guarantee program, the Urban Empowerment Zone Program, the Brownfields Economic Development Initiative, the Lead-Based Paint Hazard Reduction and the Healthy Homes Program, University Programs, the Indian Community Block Grant, and the Native eDGE program.

Details of these programs are provided following a description of two Secretarial priorities for FY 2002: HUD's plans in FY 2002 to build capacity among faith-based and community organizations and to facilitate a national conversation on Growth Management issues.

Faith-Based and Community Organizations

On January 29, 2001, the President issued executive orders establishing a White House Office of Faith-Based and Community Initiatives and instructing five agencies, including HUD, to set up Centers for Faith-Based and Community Initiatives. As stated in the executive orders, these Centers are intended to "coordinate a national effort to expand opportunities for faith-based and other community organizations and to strengthen their capacity to better meet the social needs in America's communities."

HUD has long recognized that much of the hard work of housing and neighborhood revitalization, as well as the provision of homelessness services, is carried out by nonprofit faith-based and community organizations and that HUD's mission will be advanced by working to strengthen their capacity and access to HUD funding. For this reason, HUD has already established a center to coordinate work with faith-based and community organizations. During FY 2002, this center will be expanded to enhance its effectiveness. HUD will also examine its programs and policies to identify ways to strengthen the capacity of these organizations and to reduce any barriers they may have to accessing HUD funding.

Growth Management

Many communities are experiencing rapid growth that requires them to address such difficult quality of life issues as: traffic congestion, the availability of affordable housing, preservation of natural resources and the adequacy and timely provision of the public facilities and services needed to accommodate growth. While these are local issues that require local solutions, HUD has an important role to play at the national level. During FY 2002, HUD will facilitate a national conversation on growth management issues and help to develop tools that local communities can use to better manage their growth.

To help promote sensible and responsible growth, HUD will work with local communities to promote reinvestment in the urban core and ensure the continued availability of affordable housing. Reinvesting in urban areas can help both to alleviate the growth pressures on newer communities and to ensure that cities benefit from overall economic growth. Since local decisions on growth management issues can affect the cost of housing, HUD will continue to work to expand access to affordable housing nationwide.

These activities are well within the core mission of HUD. In the Housing and Urban Development Act of 1965, which created HUD, Congress authorized the Department to encourage comprehensive planning and regional cooperation among states and local governments, help local communities develop solutions to metropolitan and community development problems, and recommend policies for the "orderly growth and development" of our urban areas.

TABLE 3: COMMUNITY AND ECONOMIC DEVELOPMENT

	2001	2002	Difference
Community Development Block Grants (Net Formula Funding)	\$4,399	\$4,399	...
Special Purpose and Targeted Grants	412	0	(\$412)
Section 108 Loan Guarantees	30	15	(15)
Urban Empowerment Zones	185	150	(35)
Brownfields Economic Development Initiative	25	25	...
Lead-Based Paint Hazard Control and Healthy Homes Initiative	100	110	10
National Community Development Initiative	28	29	1
Indian Community Block Grants	71	69	(2)
Section 107 plus other University Programs	45	44	(1)

Community Development Block Grant (CDBG)

CDBG provides local communities with a flexible source of funds to help them attract private investment, maintain a high-quality housing stock, rebuild infrastructure and community facilities, provide critical community services, and create new high paying jobs. CDBG funds are provided directly to approximately 1,000 large cities and counties (known as “entitlement communities”) and to States for distribution to smaller communities. For FY 2002, HUD has requested a total of \$4.8 billion in CDBG funds. This is composed of \$4.4 billion for CDBG formula grants and \$403 million in set-asides for specific programs. The amount requested for the CDBG formula is the same as the level enacted in FY 2001. This represents a record level of formula funding and a \$160 million increase over the amounts appropriated in fiscal years 1999 and 2000.

During FY 2002, the Department will continue to work to increase communities’ timely expenditure of previously allocated CDBG funds. Although HUD’s efforts over the last few years have led to a 34 percent reduction in the number of communities that are failing to meet their timeliness obligations, there are still a number of communities that are not spending their CDBG funds in a timely manner.

The Department intends to work closely with communities to ensure that comprehensive plans are implemented fully and funds are used expeditiously under the consolidated plan review process.

Although funding for the CDBG formula is maintained at FY 2001 levels, HUD has proposed a substantial reduction in funding of set-asides within CDBG. The enacted level of set-asides within CDBG in FY 2001 was \$713 million. The requested level for FY 2002, by contrast, is \$403 million, a reduction of \$310 million. The principal source of the reduction is the proposed elimination of funding for the *Economic Development Initiative* and the *Neighborhood Initiative*

Demonstration. These programs, which together totaled \$412 million, were earmarked for “special purpose” grants in the appropriations act.⁴

The growth in special purpose grants has been dramatic over the past few years. In FY 2001, the appropriations act contained over 800 individual projects. Administering these individual grants is costly, time-consuming, and distracts HUD staff from its core programs. As most of the special purpose grants would be eligible expenses under the CDBG formula, these types of projects can be funded if deemed to be priorities by local recipients of CDBG funding.

Section 108 Loan Guarantee Program

The *Section 108 Loan Guarantee* program provides a means by which local communities can leverage their CDBG grants to obtain financing for large community revitalization projects. Under this program, the government acts as the guarantor of loans secured by current and future CDBG funds. Section 108 financing is at work in hundreds of communities across America. Over 1,200 projects have been funded since the program's inception in 1978.

In every year since FY 1997, the total loan volume authorized for the Section 108 program has been \$1.2 billion. Only about one-third or less of this loan level has been used each year, however, with an average annual utilization of \$375 million. To reduce the level of the government's outstanding commitment to levels that reflect actual usage, while at the same time ensuring that any upward surge in loan volume is fully accommodated, the FY 2002 budget is requesting a loan volume of \$609 million. HUD will reconsider the loan volume cap for FY 2003 based on this year's demand for the program.

Empowerment Zones and Enterprise Communities (EZ/EC) Initiative

The EZ/EC initiative is an interagency effort to promote economic development and community revitalization in distressed areas by targeting tax relief and federal funds to designated Empowerment Zones (EZs) and Enterprise Communities (ECs). EZs and ECs are eligible for an array of different tax credits and other incentives designed to spur investment and economic growth. EZs and ECs also receive some amount of federal funding for revitalization activities. Grants are used for a wide variety of activities that assist residents and businesses, including workforce preparation and job creation efforts linked to welfare reform; neighborhood development; support for financing capital projects; financing of projects in conjunction with Section 108 loans or other economic development projects. Funds are also used for rental assistance and other housing assistance, policing and healthcare.

⁴ Two new set-asides within CDBG, described elsewhere in this document, are the Community Technology Centers Initiative (\$80 million) and the Improving Access Initiative (\$20 million).

To date, there have been two rounds of EZ/EC designations, with a third round authorized but not yet made. In the first round, nine communities (six urban and three rural) were designated as Empowerment Zones and 95 communities were named as Enterprise Communities. Twenty new Empowerment Zones – 15 urban and 5 rural – were designated in the Round II competition, along with 20 new Enterprise Communities, all rural.

In December 2000, Congress approved legislation to designate nine new EZs, seven in urban areas and two in rural areas. HUD will designate the seven new urban EZs in 2001, while the Department of Agriculture will designate the rural EZs. The legislation also authorized the designation of 40 Renewal Communities, 28 in urban areas and 12 in rural areas, to be designated by HUD by the end of 2001. Businesses in Renewal Communities will benefit from local regulatory streamlining and a variety of federal tax incentives to stimulate economic growth.

HUD is responsible for providing each of the 15 Round II urban Empowerment Zones with \$10 million in annual funding. As funding to date has lagged behind this committed level, HUD is seeking full funding of \$150 million for FY 2002.

Brownfields Economic Development Initiative

For FY 2002, HUD proposes to fund the Brownfields Economic Development Initiative at \$25 million, the same level as enacted in FY 2001. Brownfields are vacant or underutilized properties whose redevelopment is hampered by the real or perceived threat of environmental contamination. A recent survey of over 200 cities by the U.S. Conference of Mayors indicated that more than \$2.7 billion in additional tax revenues and 675,000 new jobs could be created if brownfields sites were returned to productive uses.

The Brownfields Economic Development Initiative makes competitive economic development grants available to local governments in conjunction with Section 108 loan guarantees. The grants act to enhance the security of the Section 108 loan, facilitating the reclamation of brownfields. HUD works closely with the Environmental Protection Agency pursuant to an agreement to work together to implement strategies to return brownfields to productive uses.

Other HUD Programs that Support Community and Economic Development

In addition to the programs discussed above, several additional HUD programs help to support local community and economic development. These include:

- *Lead-Based Paint Hazard Reduction and Healthy Homes Programs.* To help reduce the hazards of lead-based paint, the FY 2002 budget requests a 10 percent increase in funding for these programs for a total of \$110 million. Pursuant to Executive Order 13045, a multi-agency task force that included HUD, EPA, Justice and the Centers for Disease Control and Prevention developed a comprehensive 10-year plan to eradicate the risk associated with lead

paint poisoning from American homes. HUD's grants are key to the achievement of this objective. The increased funding in FY 2002 will be distributed through a competitive process to entities that match every Federal dollar with significant additional dollars. All funds, whether private or Federal, must be used for hazard reduction or public education on lead poisoning prevention.

Included in this request is a set-aside of \$10 million to continue the *Healthy Homes Initiative*, which helps to develop, demonstrate and promote cost-effective, preventative measures to correct multiple safety and health hazards in the home that can cause serious disease and injuries to children.

- *National Community Development Initiative (NCDI)*. NCDI is a partnership of public and private funders and intermediaries that works to expand the capacity of community development corporations and other community-based and nonprofit organizations to carry out community and economic development. HUD provides NCDI funding to national intermediaries, including Habitat for Humanity, the Enterprise Foundation, and Local Initiatives Support Corporation, which then provides capacity building services to the targeted organizations. The FY 2002 budget requests \$29 million for NCDI, an increase of \$1 million over FY 2001 levels. The additional \$1 million will go to Habitat for Humanity to increase funding for their capacity building efforts to \$4.4 million.
- *University Programs*. Colleges and universities can make an important contribution to the revitalization of America's cities and neighborhoods by bringing their intellectual and financial resources to bear on locally identified problems. HUD has several programs that encourage partnerships between colleges and universities and local governments and community-based organizations. These programs include: the Community Outreach Partnership Centers Program, the Historically Black Colleges and Universities Program, the Hispanic-Serving Institutions Assisting Communities Program, the Alaska Native/Native Hawaiian Institutions Assisting Communities Program and Assistance to Tribal Colleges and Universities. In addition, the Community Development Work Study program provides stipends and tuition support for economically disadvantaged and minority graduate students who plan to pursue careers in community and economic development. The FY 2002 budget funds all of the university programs at FY 2001 levels.
- *Block Grants for Indian and Insular Area Communities*. Two set-asides within CDBG provide flexible funding for community and economic development activities in Native American and Insular Area communities. The FY 2002 budget provides \$69 million for Indian community development block grants and \$7 million for community development block grants to Insular Areas (American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands). Funding for Insular Areas is included within the set-aside for Section 107 grants.
- *Native eDGE*. A set-aside of \$1.25 million in the Indian Community Development Block Grant will fund the Native eDGE program, an interagency initiative designed to facilitate sustainable economic development within American Indian and Alaska Native communities.

eDGE includes a telephone call center, a publications clearinghouse, a web site, and a technical assistance information center. The web site links seventeen federal agencies, educational institutions, and organizations through a single portal so that tribes, Native Americans, lending institutions, and private businesses can collaborate to promote economic growth.

V. MEETING THE NEEDS OF SPECIAL POPULATIONS

HUD programs provide housing and other essential support to a wide range of populations with special needs, including the elderly, persons with disabilities, homeless persons and persons with HIV/AIDS.

In FY 2002, HUD will continue its strong level of support by funding the programs targeted for these populations at or above FY 2001 levels. Notable increases include \$20 million in additional funding for the Housing Opportunities for Persons with AIDS (HOPWA) program and \$20 million for the Improving Access Initiative, which will be used to increase access by disabled persons to the facilities of nonprofit organizations.

TABLE 4: HOUSING FOR SPECIAL POPULATIONS

(Budget Authority in Millions)

	2001	2002	Difference
ELDERLY:			
Supportive Housing for the Elderly (Section 202)	\$676	\$679	\$3
Project Rental Assistance Contract (PRAC) Renewal	0	3	3
Conversion to Assisted Living/CAP Grant (Rehab)	50	50	...
Service Coordinators	50	50	...
Working Capital Fund	1	1	...
Total Elderly	\$777	\$783	\$6
PERSONS WITH DISABILITIES			
Persons with Disabilities (Section 811)	\$217	\$217	...
Project Rental Assistance Contract (PRAC) Renewal	0	1	\$1
Improving Access Initiative*	...	20	20
Total Persons with Disabilities	\$217	\$238	\$21
HOMELESS PERSONS			
Homeless Assistance Grants	\$1,023	\$1,023	...
Working Capital Fund	[15]	[9]	[(6)]
Technical Assistance and Management Infor. Systems	...	[5]	[5]
Interagency Council on the Homeless	[1]	[1]	...
Shelter Plus Care Renewals	100	100	...
Total Homeless Persons	\$1,123	\$1,123	...
PERSONS WITH HIV/AIDS			
Housing Opportunities for Persons with AIDS	\$257	\$277	\$20
Technical Assistance	[3]	[2]	[(1)]
Total Persons with HIV/AIDS	\$257	\$277	\$20
* Funded as a set-aside within CDBG.			

Elderly Housing and Services

The FY 2002, HUD plans to continue its strong support for the elderly by providing \$783 million for elderly housing programs, an increase of \$6 million over FY 2001 levels.

The principal HUD program targeted specifically to the elderly is the Supportive Housing for the Elderly (Section 202) program. This program provides capital advances to finance the construction and rehabilitation of structures that will serve as supportive housing for very low-income elderly persons and provides rent subsidies (known as Project Rental Assistance Contracts (PRAC)) for the projects to help make them affordable. For FY 2002, HUD will provide \$679 million for Section 202 grants, an increase of \$3 million over FY 2001. The FY 2002 budget also includes \$3 million for PRAC renewals.

In addition to providing funds for new Section 202 developments, the FY 2002 budget includes \$50 million to cover the costs of converting existing Section 202 developments to assisted living facilities and another \$50 million for service coordinators that help the elderly maintain their independence. Both of these activities are funded at FY 2001 levels.

Other programs serving the elderly include the public housing and tenant-based and project-based Section 8 programs, which together provide affordable rental housing to more than 1.3 million elderly households. These programs are discussed in Section II, above.

Persons With Disabilities

The Supportive Housing for the Disabled (Section 811) program provides capital advances to construct or rehabilitate rental housing with supportive services for very low-income persons with disabilities. (As noted below, a portion of Section 811 funds is used for tenant-based rental assistance.) For FY 2002, HUD will provide \$217 million for new Section 811 grants, the same level as in FY 2001. The budget will also provide \$1 million for PRAC renewals to help keep existing Section 811 developments affordable.

In recognition of the importance of providing non-elderly persons with disabilities with mainstream housing opportunities, the Department plans to continue to set-aside a portion of Section 811 funds to provide these households with tenant-based vouchers that they can use to rent private market apartments of their choice. Public housing agencies will also continue to have the authority to provide vouchers to non-elderly persons with disabilities pursuant to designated public housing plans.

In addition to the Section 811 program, disabled persons are served by the public housing and project-based and tenant-based Section 8 programs. Together, these programs serve some 500,000 households with one or more disabled persons.

Improving Access Initiative

As part of a Governmentwide effort to improve the access of disabled persons to community services, HUD's FY 2002 budget includes \$20 million as a set-aside within the CDBG account for the Improving Access Initiative. This initiative will provide competitive grants to help organizations that are exempt from the Americans with Disabilities Act and have limited resources to make their facilities accessible to the disabled. Among other eligible organizations are civic organizations and religiously affiliated service providers.

Homeless Persons

The FY 2002 budget continues to provide strong support for homeless persons by funding HUD's homeless programs at FY 2001 levels. In FY 2002, a total of \$1.12 billion is provided for homeless assistance grants and shelter plus care renewals. This will fund four programs: the Supportive Housing Program, the Shelter Plus Care Program, the Section 8 Moderate Rehabilitation for Single Room Occupancy (SRO) Dwellings for Homeless Individuals Program, and the Emergency Shelter Grant Program. The first three programs are administered competitively through the Continuum of Care process. Emergency Shelter Grants, by contrast, are awarded directly by formula.

The Department will focus on providing permanent housing solutions to those without homes and work closely with the Department of Health and Human Services and other agencies to identify and remedy the barriers to homeless persons' access to mainstream supportive services programs. As specified by Congress, at least 30 percent of Continuum of Care funding will be used to provide homeless persons with permanent housing.

The Continuum of Care process allows local communities to determine their own priorities for the use of HUD homeless programs funding. Under this process, communities submit Continuum of Care plans to HUD which describe local priorities and rank specific projects according to locally identified needs. HUD provides funding to communities that provide for maximum participation by local homeless providers and representatives of homeless clients, that clearly identify gaps in housing and service needs, and that coordinate homeless assistance with mainstream health, social services and employment programs. The following three programs are funded through the Continuum of Care:

- The Supportive Housing Program provides funds to develop supportive housing and services that will allow homeless persons to live as independently as possible. Funds are used for transitional housing (up to 24 months) and permanent housing for persons with disabilities.
- The Shelter Plus Care Program provides rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services funded from sources outside the program. This is a form of permanent housing. In FY 2001, a special account was created to fund

renewals of expiring Shelter Plus Care contracts. In FY 2002, HUD will continue to fund these renewals at \$100 million.

- The Section 8 Moderate Rehabilitation for Single Room Occupancy (SRO) Dwellings for Homeless Individuals Program provides rental assistance for homeless persons through the moderate rehabilitation of SRO dwellings.

In addition to funding these three homeless programs, HUD will provide approximately \$150 million in Emergency Shelter Grants by formula. These grants are used for the rehabilitation or conversion of buildings into homeless shelters, as well certain related social services, operating expenses, homeless prevention activities, and administrative costs.

Finally, the Department will continue to work in FY 2002 to implement the Congressional mandate to develop and implement new systems to track homeless individuals as they enter and exit the network of homeless services programs and to provide unduplicated counts of the number of homeless persons served. HUD believes it essential to get a fix on the reach of HUD's homelessness programs so that the performance of these programs can be measured.

Persons with HIV/AIDS

The Housing Opportunities for Persons with AIDS (HOPWA) program funds housing assistance and related supportive services for low-income persons with HIV/AIDS and their families. Grants are provided by formula allocations to States and metropolitan areas with the largest number of cases and highest incidence of AIDS. In addition, a small portion of funds is awarded competitively among projects proposed by State and local governments and nonprofit organizations.

In FY 2002, HUD will provide \$277 million for the HOPWA program, an increase of \$20 million over FY 2001 levels. This will support an increase in the number of jurisdictions eligible for funding based on increases in the number of persons with AIDS as reported to the Centers for Disease Control and Prevention.

VI. ENFORCING THE FAIR HOUSING LAWS

HUD is committed to vigorous enforcement of the fair housing laws to help ensure that all households have equal access to rental housing and homeownership opportunities. For FY 2002, the Department plans to increase the amount of funding available for fair housing enforcement and education activities by 16 percent over current levels. The Department also plans further steps to decrease the incidence of predatory lending.

HUD contributes to fair housing enforcement and education in two ways: by directly enforcing the federal fair housing laws and by funding state and local fair housing efforts through two grant programs:

- The Fair Housing Assistance Program (FHAP) strengthens nationwide enforcement efforts by providing grants to State and local agencies to enforce laws that are substantially equivalent to the federal Fair Housing Act. For FY 2002, HUD will provide \$23 million for FHAP, an increase of \$1 million over current levels.
- The Fair Housing Initiatives Program (FHIP) provides funds to public and private fair housing groups, as well as to state and local agencies, for activities that educate the public and housing industry about the fair housing laws, including accessibility requirements; investigate allegations of discrimination; and help to combat predatory lending practices and reduce barriers to minority homeownership.

In FY 2001, FHIP was funded at \$24 million, of which \$7.5 million was dedicated to the National Survey of Housing Discrimination, a major study of housing discrimination being conducted by the Urban Institute. This left \$16.5 million for FHIP grants. As no additional funding for the survey is needed in FY 2002, the FY 2002 level of \$23 million provides an effective increase for FHIP grants of \$6.5 million.

The additional \$6.5 million in FY 2002 FHIP funding will be directed towards increasing the number of organizations that receive funding for activities to enforce the rights granted under the Fair Housing Act and substantially equivalent State and local laws through education, outreach, prevention and other enforcement activities. This funding increase will significantly expand the geographic distribution of FHIP awards to communities that are currently underserved or not served at all by fair housing organizations. In FY 2000, HUD was only able to fund 42 percent of eligible applicants. With the increase in funds, HUD will be able to fund 72 percent of the eligible applicants.

During FY 2002, HUD also plans to continue its efforts to combat predatory lending. The Department will work closely with interested parties, including consumer groups, Federal, state and local regulators, and the industry to put an end to predatory lending practices, increase financial literacy and expand access to homeownership and private mortgage credit. As part of this overall

effort, HUD will consider ways to better enforce existing laws, which may include strengthening existing regulations, as well as assess the need for legislative action to better protect consumers and stop unfair lending practices.

VII. ENSURING RESPONSIBLE HUD STAFFING AND PROGRAM SUPPORT

Despite the progress of the last 12 years, much more needs to be done to resolve HUD's serious management challenges. Although HUD is no longer listed by the General Accounting Office as a "high-risk" agency, many of its major programs continue to bear this label. Addressing these challenges is a top Secretarial priority for FY 2002.

Staffing

During FY 2002, HUD will review staffing levels against program needs to rationalize the distribution of staff resources. HUD's efforts will be aided by the new *Resource Estimation and Allocation System* which will help the Department to assess where staffing should be increased or decreased to effectively administer its programs. HUD is also working to develop a long-term staffing strategy to meet the rapid increase in retirements expected over the next several years. Currently, the average HUD employee is 50 years old with 17 years of Federal service. To ensure HUD's continued ability to deliver its programs in an effective and timely manner, HUD must develop a strategy for replacing these workers as they retire.

Oversight of Local Housing Providers

HUD will continue its efforts to improve oversight of the local housing agencies and property owners that administer its housing programs. Although the Department recognizes that the physical inspections protocol used to assess public housing and multifamily assisted housing needs further refinement to ensure consistent and fair results, it plans to continue to assess the physical condition of HUD-assisted housing to ensure that it is decent and safe.

Income and Rent Determinations

The Department will also take steps to improve income and rent determinations to reduce subsidy overpayments. HUD overpays hundreds of millions of dollars in low-income rent subsidies due to the incomplete reporting of tenant income, the improper calculation of tenant rent contributions, and the failure to fully collect all outstanding rent. During FY 2002, HUD will implement a number of measures to resolve this problem, including the development of tools to assist housing agencies and assisted housing owners in the determination of income and calculation of rent and the introduction of a quality control program to monitor the performance of these intermediaries. HUD also plans to review the current laws and regulations regarding income and rent determinations to ascertain whether their simplification would facilitate program compliance.

Utilization of HUD Funds

The Department is greatly concerned that some recipients of HUD funding are either failing to utilize all of the funds provided by HUD or failing to obligate and spend the funds in a timely manner. These practices significantly diminish the effectiveness of HUD's programs. HUD will be reviewing the following programs to determine how to increase the rates of expenditure of funds: Section 8 vouchers and project-based renewals, the Section 202 program, CDBG, and the Public Housing Capital Fund.

FHA Fraud Reduction and Improved Program Controls

Inadequate information systems have weakened FHA's ability to monitor lenders that use its guarantees and contributed to HUD's failure to obtain a clean opinion from its auditors in 1999. A fraudulent scheme known as "property-flipping" recently highlighted internal weaknesses in FHA's single-family systems and controls. To combat this scheme last year, FHA implemented emergency foreclosure moratoria to protect borrowers in areas where property flipping was prevalent. During FY 2002, FHA will strengthen the integrity of its internal systems and controls to eliminate the need for foreclosure moratoria and other emergency responses. Actions will include improving the loan origination process and providing better monitoring of lenders and appraisers.

Evaluation and Research

The Department is committed to the continued review and evaluation of its programs to determine what is working well and what needs to be improved. HUD is also committed to continuing to conduct surveys and research to collect the factual information on housing markets and conditions necessary to inform the policy decisions of HUD, Congress and state and local governments. To this end, the FY 2002 budget provides \$43 million in funding for basic research and technology, the same amount as in FY 2001.

Congressional Commissions

Finally, HUD recognizes the importance of the work being conducted by two Congressional Commissions: the *Millennial Housing Commission* and the *Commission on Affordable Housing and Health Care Facility Needs in the 21st Century*. HUD is eager to assist Congress in assembling factual information on the extent of the nation's housing needs, analyzing HUD's programs, and developing proposals for improving the current housing programs.

Appendix A
Summary of HUD's 2002 Budget
Increases and Decreases

	<u>\$ In Millions</u>
FY 2001	28,480
<u>Technical Changes:</u>	
• Change in FHA receipts to the discretionary budget	-156
• Change in other offsetting receipts	-152
• Eliminate FHA emergency in 2002	-40
• Restore one-time rescission of 2001 Section 8 Funds	<u>+1,829</u>
Subtotal.....	+1,481
<u>Program Decreases:</u>	
• Reduce Public Housing Capital Fund to draw down unspent funds	-700
• Public Housing Drug Elimination Grants are folded into normal operating subsidies	-309
• Reduce PHAs Section 8 Reserves to 1-month based on recent program changes, annual funding	[-640]
• Eliminate CDBG Special Purpose Projects	-410
• EZ funding is placed on previously established 10-year plan	-35
• Reduce Low Priority Technical Assistance	[-30]
• Eliminate Rural Economic Development Programs which are eligible activities in CDBG and USDA programs	-25
• Completed PATH Demonstration Program	-10
• Reduce Section 108 Loans to reflect actual usage	<u>-15</u>
Decrease Subtotal.....	-1,504
<u>Program Increases:</u>	
• Provide 34,000 Incremental Vouchers to reduce waiting lists backlog	[+197]
• Provide homeownership downpayment assistance to 130,000 low-income, first time homebuyers	[+200]
• Increase Public Housing Operating Subsidies for anti-drug and utility cost increases	+150
• Additional Community Technology Centers	+80
• Increase HOPWA based on recent CDC statistics	+20
• Increase lead-based removal grants to leverage private sector funding	+10
• Improve access for disabled persons to ADA exempt religious and community organizations	+20
• Housing Certificate Fund Increases	+1,807
• Elderly/Disabled Program Increases	+7
• Pay adjustments	<u>+38</u>
Increase Subtotal.....	+2,132

Offsetting Receipts:

• Operate GI/SRI portfolio with reduced credit subsidy	-86	
• Introduce “Hybrid ARM” Mortgage Program		-99
FY 2002 Budget.....		<hr/> 30,404

APPENDIX B

BUDGET AUTHORITY BY PROGRAM COMPARATIVE SUMMARY, FISCAL YEARS 2000-2002

	2000 ENACTED	2001 ENACTED	2002 REQUEST
DISCRETIONARY PROGRAMS			
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants Fund	\$4,800	5,113	4,802
Supplemental Appropriation (P.L. 106-246)	28	...	...
Rescission of Economic Development Initiative earmarks	(19)	...	...
Net CDBG Budget Authority	4,809	5,113	4,802
Community Technology Centers	[...]	[...]	[80]
Improving Access Initiative	[...]	[...]	[20]
Formula Grants	[4,236]	[4,399]	[4,399]
CDBG Set-Asides:			
Indian Community Block Grant	[67]	[71]	[69]
Capacity Building (NCDI)	[24]	[28]	[29]
Habitat for Humanity	[[4]]	[[3]]	[[4]]
Section 107 Grants	[42]	[45]	[38]
Management Information Systems	[[5]]	[[5]]	[[4]]
Alaskan Native and Hawaiian Native Institutions	[[2]]	[[3]]	[3]
Tribal Colleges and Universities	[...]	[[3]]	[3]
Housing Assistance Council	[3]	[3]	[3]
National American Indian Housing Council	[2]	[3]	[2]
Special Olympics	[4]	[...]	[...]
2002 Winter Olympics/Utah Housing Finance Agency	[...]	[2]	[...]
Neighborhood Initiative Demonstration	[30]	[44]	[...]
Resident Opportunity and Self-Sufficiency (ROSS)	[55]	[55]	[55]
Self-Help Homeownership Opportunity/Habitat	[20]	[20]	[22]
Youthbuild	[43]	[60]	[60]
Youthbuild Technical Assistance	[[3]]	[[4]]	[[2]]
Transfer to the Working Capital Fund	[...]	[15]	[18]
Community Empowerment Fund/EDI	[25]	[...]	[...]
EDI Special Purpose Projects	[259]	[357]	[...]
National Housing Development Corporation	[...]	[10]	[...]

Community Development Loan Guarantees:			
Credit Subsidy and Administrative Costs	30	30	15
Loan Guarantee Limitation	[1,261]	[1,258]	[609]

	2000 ENACTED	2001 ENACTED	2002 REQUEST
National Cities in Schools	5	...	...
Brownfields Redevelopment Program	25	25	25
Urban Empowerment Zones	55	185	150
Rural Empowerment Zones	[15]	[15]	...
HOME Investment Partnerships Program	1,600	1,796	1,796
American Dream Downpayment Fund	[...]	[...]	[200]
Transfer to Working Capital Fund	[...]	[17]	[20]
Technical Assistance and Management Information Systems	[27]	[22]	[14]
Housing Counseling	[15]	[20]	[20]
Disaster Assistance Supplemental (P.L. 106-246)	36	...	...
Homeless Assistance Grants	1,020	1,023	1,023
Technical Assistance and Management Information Systems	[10]	[...]	[5]
Transfer to Working Capital Fund	[...]	[15]	[9]
Interagency Council on the Homeless	[...]	[1]	[1]
Shelter Plus Care (Renewals)	...	100	100
Total, Homeless	[1,020]	[1,123]	[1,123]
America's Private Investment Companies:			
Loan Guarantee Limitation	[541]	[...]	[...]
Credit Subsidy and Administrative Costs	[20]	...	...
Housing Opportunities for Persons with AIDS (HOPWA)	232	257	277
Technical Assistance	[2]	[3]	[2]
Rural Housing and Economic Development	25	25	...
State/Local Capacity Building (Clearinghouse)	[3]	[...]	...
Indian Tribes, SHFA, et. al.	[22]	[25]	...
Subtotal, Community Planning and Development	7,837	8,554	8,188
PUBLIC AND INDIAN HOUSING			
Housing Certificate Funds:			
Section 8 Contract Renewals/Amendments	12,807	14,272	15,748
Offset	(2,167)	(1,304)	(640)
Across the Board Rescission (0.22%)	...	(25)	...
Subtotal, enacted	10,640	12,943	15,108
Tenant Protection/Replacement Vouchers	196	265	203
Family Unification	[...]	[11]	[...]
Advanced Appropriation for FY 2001	[(4,200)]	[4,191]	[...]
Advanced Appropriation for FY 2002	...	[(4,200)]	...
Contract Administration	194	192	196
Incremental Vouchers (34K)	347	452	197

	2000 ENACTED	2001 ENACTED	2002 REQUEST
Jobs Plus	[5]	7	...
Transfer to/from Other Accounts	104	...	...
Transfer to Working Capital Fund	...	11	13
Non elderly disabled	[40]	40	[40]
Housing Certificate Fund	11,481	13,910	15,717
Moving to Work Demonstration	5	[7]	...
Public Housing Capital Fund	2,884	2,993	2,293
Modernization TA	[75]	[50]	[41]
Emergency Cap Needs	[75]	[75]	[75]
Transfer to Working Capital Fund	[...]	[43]	[55]
Program Support	[...]	[...]	[14]
Revitalization of Severely Distressed Public Hsg Projects (HOPE VI)	575	574	574
Technical Assistance	[10]	[10]	[5]
Public Housing Operating Fund	3,138	3,235	3,385
Operation Safe Home	[...]	[...]	[10]
Drug Elimination Grants for Low-Income Housing	310	309	...
Operation Safe Home	[20]	[20]	[...]
New Approach Anti-Drug	[20]	[20]	[...]
Boys and Girls Club	[...]	[2]	[...]
Technical Assistance	[5]	[3]	[...]
Indian Housing Block Grants	620	649	649
Transfer to Working Capital Fund	[...]	[2]	[3]
Technical Assistance	[4]	[6]	[5]
National American Indian Housing Council	[2]	[...]	[...]
Title VI Federal Guarantees for Tribal Housing Activities:			
Program Account	[6]	[6]	[6]
Loan Guarantee Limitation	[55]	[55]	[53]
Indian Housing Loan Guarantee Fund:			
Program Account	6	6	6
Limitation Level	[72]	[72]	[234]
Subtotal, Public and Indian Housing	19,019	21,676	22,624
HOUSING PROGRAMS			
Housing Counseling Assistance	[15]	[20]	[20]
Housing for Special Populations:			
Supportive Housing for the Elderly	710	777	783

	2000 ENACTED	2001 ENACTED	2002 REQUEST
PRAC Renewals	NA	NA	[3]
Transfer to Working Capital Fund	[...]	[1]	[3]
CAP Grant (Rehab)/Conversion to Assisted Living	[50]	[50]	[50]
Service Coordinators	[50]	[50]	[50]
Disabled Housing (Section 811)	201	217	218
PRAC Renewals	[NA]	[NA]	[1]
Subtotal, Hsg. for Spec. Populations	911	994	1,001
FHA Funds:			
Mutual Mort. Ins. and Coop. Mgt. Housing Ins. Funds:			
Program Account			
Administrative Expenses	331	330	337
Non-overhead expenses	160	160	160
Mortgage Insurance Limitation	[140,000]	[160,000]	[160,000]
Direct Loan Limitation	[100]	[250]	[250]
General Insurance and Special Risk Insurance Funds:			
Program Account:			
Administrative Expenses	118	211	216
Non-overhead expenses	144	144	144
Credit Subsidy	...	101	15
Credit Subsidy Emergency Supplemental	...	40	...
Reappropriation of credit subsidy	[153]	...	...
Mortgage Insurance Limitation	[18,100]	[21,000]	[21,000]
Direct Loan Limitation	[50]	[50]	[50]
Manufactured Home Inspection and Monitoring	[NA]	11	17
Transfer to the Working Capital Fund	[...]	[130]	[160]
Subtotal, FHA Funds	753	997	889
Subtotal, Housing Programs	1,632	1,991	1,890
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Guarantees of Mortgage-Backed Securities:			
Program Account	9	9	9
MBS Guarantee Limitation	[200,000]	[200,000]	[200,000]
Subtotal, GNMA	9	9	9

	2000 ENACTED	2001 ENACTED	2002 REQUEST
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology	35	44	43
Technology Advancement Partnership (PATH)	10	10	...
Subtotal, PD&R	45	54	43
FAIR HOUSING & EQUAL OPPORTUNITY			
Fair Housing Assistance Program	20	22	23
Fair Housing Initiatives Program	24	24	23
Subtotal, Fair Housing Activities	44	46	46
OFFICE OF LEAD HAZARD CONTROL AND HEALTHY HOMES			
Lead-Based Paint Hazard Reduction	80	100	110
Healthy Homes	[10]	[10]	[10]
CLEARCorp	[1]	[1]	[...]
MANAGEMENT AND ADMINISTRATION			
Salaries and Expenses, HUD	477	542	556
Transfers (FHA/GNMA/CPD)	[528]	[528]	[541]
Subtotal, Salaries and Expenses, HUD	[1,005]	[1,070]	[1,097]
Salaries and Expenses, OIG	45	53	62
Reappropriation of carryover (P.L. 106-246)	6	...	...
Transfers (FHA/PIH)	[32]	[32]	[32]
Salaries and Expenses, OFHEO	19	22	27
Consolidated Fee Account	NA	NA	(7)
Subtotal, Management and Administration	547	617	638
Subtotal, HUD Discretionary Budget Authority (Gross)	29,245	33,045	33,548
Current year Offsetting Receipts	(393)	(492)	(742)
Rescission Adjustment for non-HUD Programs	(492)	...	...
Reclassification of Receipts (MMI)	(1,864)	(2,246)	(2,402)
Subtotal, New Budget Authority for HUD Programs	26,496	30,309	30,404
Rescission of prior year appropriation of HUD programs:			
.38% Governmentwide Reduction	(72)	...	...
Section 8 /ACAH/Other Assisted/HOPE	(1,907)	(1,829)	...
Advanced Appropriation, FY 2001	(4,200)		
Total, HUD "Scored" Discretionary Budget Authority (Net)	20,317	28,480	30,404